The Long-Arm of the USPTO: A Significant Decision (and a Significant Dissent) from the Fourth Circuit

When panel issues a 16-page decision, and Judge James Harvie Wilkinson III writes a 20-page dissent, people seem to take notice. In *Rosenruist-Gestao E servicos LDA v. Virgin Enterprises Ltd*., No. 06-1588 (4th Cir., December 27, 2007), Judge Wilkinson sharply derided his colleagues in holding that:

> *"a foreign company that has no United States employees, locations or business activities must produce a designee to testify at a deposition in the Eastern District of Virginia so long as it has applied for a trademark registration with a government office located there. As a result, foreign witnesses can be compelled to travel to the United States and give in-person testimony at the behest of any litigant in a trademark dispute, . . . even though the PTO's own procedures call for obtaining testimony from foreign companies through [the Hague Evidence Convention]."*

This decision is, as Judge Wilkinson recognizes, "a first for any federal court," and "problematic for many reasons." Specifically:

> *It fails to properly apply the statute, 35 U.S.C. § 24, that is directly relevant to its decision, and it reaches a result that is bound to embroil foreign trademark applicants in lengthy, procedurally complex proceedings. It inverts longstanding canons of construction that seek to protect against international discord, and it disregards the views of the PTO whose proceedings 35 U.S.C. § 24 is designed to aid. In view of the statutory text (see Section I), interpretive canons, international relationships, and separation of powers concerns (II), and the PTO's own framework (III), I firmly believe this subpoena must be quashed.*

The decision can be obtained here. One cannot help but wonder whether the significance and recurrence of the issue doesnt warrant immediate Supreme

Court review of the decision, even absent a clear split of circuit authority. Indeed, as Judge Wilkinson implicitly acknowledges, such a split may never occur; “the majority creates a standard that is in fact a national one: the PTO is located in the Eastern District of Virginia; applications for trademark registration are filed there; and subpoena enforcement will frequently be sought in that district. Indeed, for any foreign corporation without a preexisting United States presence, the majority’s decision will be controlling.”

Happy Christmas / Holidays

On the assumption that no more items will be posted to Conflict of Laws .net before 25th December, and possibly 1st January (although we did, in fact, churn out quite a few posts in the festive period last year), I would like to wish everyone a Happy Christmas / Holiday, and a very Happy New Year. I hope everyone returns in 2008 thoroughly refreshed and recharged, helped along by a diet of turkey, fruit cake, mince pies and *plenty* of wine.

I would like to quickly mention our team of 15 National Editors. If you find this website useful and/or interesting, it is because of their expertise, dedication and generosity. **325** items on new cases, legislation, publications, news, reviews or whatever else have been posted on Conflict of Laws .net during 2007, which represents a considerable amount of time and effort. We have several more scholars joining the team in 2008. If your country is not represented on Conflict of Laws .net, and you would be interested in becoming an Editor, I would be delighted to hear from you.

Best wishes, Martin George.

Some Political Drama in the Conflict of Laws in Canada

The most recent chapter in the long-running and highly public dispute between businessman Karlheinz Schreiber and former Prime Minister of Canada Brian Mulroney involves significant conflict of laws issues. On December 20, 2007, Justice Cullity of the Ontario Superior Court of Justice released his decision holding that Schreiber's claim was dismissed for lack of jurisdiction. The decision is not yet posted but should be soon on the CanLII web site (available here).

In *Schreiber v. Mulroney* the plaintiff sued the former Prime Minister of Canada for $300,000, alleging that Mulroney had breached an agreement to help him with certain business ventures after leaving office. The underlying facts have raised some concerns, in part because of the way Schreiber paid Mulroney, which was in large amounts of cash. Mulroney was served outside Ontario, in Quebec. He moved to challenge the court's jurisdiction or in the alternative for a stay of proceedings in favour of Quebec.

Justice Cullity held that there was no real and substantial connection between the dispute and Ontario, and as a result Ontario did not have jurisdiction. He accordingly dismissed the action. On the facts, it is hard to argue with this decision. So much connected the dispute with Quebec and very little connected it to Ontario. Justice Cullity indicated that had the court had jurisdiction, he would have stayed proceedings in favour of Quebec.

There are several points in the decision worthy of at least brief comment. One relates to the issue of attornment. Mulroney's Ontario lawyer initially indicated a willingness to accept service, but on seeing the statement of claim he refused to do so because of the lack of connection between the dispute and Ontario. Justice Cullity correctly held that this did not raise any issue of Mulroney having attorned – his lawyer did not in the end accept the service. More problematic, though, is his *obiter dictum* that "as it is accepted that valid service is not by itself sufficient to establish jurisdiction, an acceptance of service should not have this effect by treating it as an attornment and, in effect, a submission to the jurisdiction" (para. 25).

In this statement, Justice Cullity may be confusing issues of service inside the jurisdiction with those of service outside Ontario. Valid service outside Ontario is indeed not enough for jurisdiction: the real and substantial connection must also be shown. But this is not the case for service inside Ontario. If the defendant is served based on presence inside the jurisdiction, either personally or through an accepting Ontario lawyer, that has traditionally been sufficient for jurisdiction and, even in the wake of *Morguard*, there is no further search for a real and substantial connection. This raises no issue of attornment. Had Mulroney's lawyer accepted service in Ontario that should have ended the jurisdictional inquiry. The fact that an Ontario lawyer accepts service for a defendant outside the jurisdiction does not make this any less an instance of service inside the jurisdiction.

Second, Justice Cullity states that "Where a defendant moves to set aside service on the ground that there is no real and substantial connection with Ontario, the question will be whether there is a good arguable case that the connection exists" (para. 18.2). There is room to dispute, or maybe just dislike, this formulation. Put this way, the test may be too easy for a plaintiff to satisfy. The plaintiff does not have to only show a good argument that there is a real and substantial connection – the plaintiff must show such a connection does exist. If facts relevant to the analysis of jurisdiction are in dispute, then it is generally correct to say that only a good arguable case need be shown that those facts can be established before the court can then make use of them in its analysis of the connection. But that analysis then looks for a real and substantial connection, not a good arguable case for such a connection. Whether there is a real and substantial connection is primarily a legal conclusion, not a factual one.

Third, Justice Cullity seems to think that the eight-factor *Muscutt* formulation is focused on tort claims, and that further factors need to be considered in contract claims (para. 37). He goes on to consider the place where the contract was made, performed and breached and where any damage was sustained. These are appropriate things to consider, but it may not be helpful to label them as additional factors to add to the eight in *Muscutt*. Rather, they are relevant considerations under some of those factors (which are reasonably general). One of these factors is the connection between the forum and the plaintiff's claim, and another is any unfairness to the defendant in taking jurisdiction. Each of these considerations can and should be considered as part of those factors, just as the

location of where a tort occurred would be. Adding more factors to the *Muscutt* framework on a case-by-case basis runs the risk of making the analysis of a real and substantial connection even more complex.

Fourth, Justice Cullity's analysis of Rule 17.02, the heads for service out without leave, is not the most conventional. He starts his overall analysis looking for whether there is a real and substantial connection, and only subsequently comes on to look at the heads. While both must be satisfied in a service out case, the typically approach looks first at whether the claim fits within one or more heads, and then if it does looks for the connection. In addition, Justice Cullity, in quite brief reasons, finds that Schreiber's claim does not fit within the heads. This is something of a surprise given the breadth of Rule 17.02(h), damage sustained in Ontario. Justice Cullity finds that Schreiber was in effect seeking restitution of the $300,000, rather than damages for breach of contract (para. 70). But this seems to adopt a very narrow meaning for the head. Even in a claim in unjust enrichment, the plaintiff has suffered a loss and that loss can be located geographically, Schreiber being an Ontario resident. It is hard to see how this loss is not "damage sustained".

In the end, even if there is force to these criticisms, none of them impugn the conclusion that there was not a real and substantial connection to Ontario on the facts of this case. But much is at stake in this litigation, and so an appeal seems a reasonable possibility.

What Do We Really Know About the American Choice of Law Revolution?

There is a substantial book review in the new issue of the *Standard Law Review* (Oct 2007, Vol. 60, Issue 1): What Do We Really Know About the American Choice-of-Law Revolution? by Hillel Y. Levin (*Stanford*). It provides a detailed

critique of Symeon Symeonides' most recent book, *The American Choice-of-Law Revolution: Past, Present and Future* . Here's some of the introduction:

> *Virtually everyone who has engaged in choice-of-law scholarship has had unflattering things said about him or her, and every scholar's favorite methodology has come under attack. Given the reputation of the First Restatement of Conflicts of Laws, it should come as little surprise that Joseph Beale, its drafter, "has been the target of ridicule by practically every conflicts writer in the last four decades," or that the First Restatement itself "has been the favorite punching bag of every conflicts teacher." But the scholars who succeeded Beale and pioneered the modern approaches have fared no better, and neither have their theories. William Prosser memorably referred to conflicts scholars as "learned but eccentric professors who theorize about mysterious matters in a strange and incomprehensible jargon." Prosser's assessment is charitable compared to that of Lea Brillmayer, who has described them as "a wild-eyed community of intellectual zealots." Meanwhile, the modern doctrinal approaches have yielded "gibberish" and "confused and misguided thinking." In short, modern conflicts theory and doctrine is a mess—a "debacle," according to one scholar—and there is no real consensus on how to clean it up.*
>
> *It is time for a new treatment of conflicts, one that does not approach it either through high-minded theory or as a set of convoluted law school exam fact patterns. What the field really needs is empirical inquiry: what has the revolution in choice of law wrought, and what can we learn from that? Intrepid researchers have undertaken this task in fits and starts over the past fifteen years or so, and the conflicts giant Dean Symeon Symeonides has been at the forefront of the project. His highly anticipated and ambitious new book, The American Choice-of-Law Revolution: Past, Present and Future, is the pinnacle of his efforts and aims to be the authoritative word on the impact of the revolution. First delivered as a series of lectures at The Hague Academy of International Law in 2002 and now widely available for the first time, it should be required reading for anyone engaging in conflicts scholarship.*

You can download the full review from here (PDF). Highly recommended.

Fourth issue of 2007's Journal du Droit International

The fourth issue of the French *Journal du Droit International (Clunet)* has been released. It contains three articles dealing with private international law issues (the table of contents in French can be found here).

First, the *Journal* offers the end of the article of Ms Legros (the first part of which was published in the third issue of the Journal) on Conflicts of Norms in the Field of International Contracts for Carriage of Goods ("*Les conflits de normes en matière de contrats de transport internationaux de marchandises*"). The second part of the study focuses on jurisdictional and enforcement issues.

The second article is authored by Professor Emmanuel Gaillard, who teaches at Paris XII university, and who is also a leading practionner of international commercial arbitration. It discusses the Representations of International Arbitration, Between Sovereignty and Autonomy ("*Souveraineté et autonomy: réflexions sur les représentations de l'arbitrage international*"). The English abstract reads:

> *The autonomy of international arbitration vis-à-vis national legal orders raises important question of legal theory. There are several representations of international arbitration: that assimilating the arbitrator to the courts of a single legal system; that perceiving the autonomy of international arbitration as detached of national legal systems; and that considering such autonomy as anchored in the entirety of the legal systems that accept, under certain conditions, to recognize the arbitral award. Significant practical consequences follow from these distinctions.*

The third is authored by Didier Lamethe, who is the *Secrétaire Général* of EDF International, a subsidiary of the French national electricity company. His article discusses the Languages of International Arbitration ("*Les langues de l'arbitrage international : liberté or contraintes raisonnées de choix ou contraintes*

réglementées ?“). The English abstract reads:

> *As far as international contracts are concerned, language plays a key part beyond the negotiation and the signature, in the event of deviations of interpretation ending up in an arbitration. Thus arises the question of the choice an the backgrounds of the choice of the language(s) regarding not only the proceedings, but also some sides of the proceedings. This essays puts up the principles of a sharing-out between the feasible and the forbidden, the content of arbitration rules making up a reference for a comparative analysis of great interest. Such an approach outlines the areas of freedom for the choice to be made and gives a demonstration of the imprecise figure of the constraints.*

Available to suscribers.

Au Revoir to Renvoi?

C.J.S. Knight has written a casenote in the *Conveyancer and Property Lawyer* on the High Court decision in *Iran v Berend* (Conv. (2007) November/December Pages 564-571). Here’s the abstract:

> *Discusses the Queens Bench Division decision in Iran v Berend on whether renvoi has a place in choice of law cases concerning title to moveable property, in particular whether in a case concerning title to a fragment of limestone relief originating in ancient Persia, bought in New York by a resident of France and sent to England to be auctioned the English court was bound to apply French private international law rules or whether the dispute fell to be determined by reference to French domestic law. Considers the purpose of the lex situs rule in conflict of law cases.*

Available to *Conv.* subscribers.

Who is Bound by the Brussels Regulation? LMCLQ November 2007

Adrian Briggs (*Oxford*) has written a note in the November issue of the L.M.C.L.Q. (2007, 4(Nov), 433-438) on the recent decision of the Court of Appeal in *Samengo-Turner v J&H Marsh & McLennan (Services) Ltd* [2007] EWCA Civ 723. The *Westlaw* abstract reads:

> *Discusses the Court of Appeal judgment in Samengo-Turner v J&H Marsh & McLennan (Services) Ltd on whether to grant an anti-suit injunction to stop New York proceedings. Examines whether the insurance broker should be allowed to sue an associate's former employees in New York to recover incentive payments, under a contract which stipulated the New York court. Considers whether the rules on contracts of employment under Regulation 44/2001 (Brussels Regulation) applied to an action by the employer's associate.*

There is also an article in the same issue on "Ship Mortgagees and Charterers" by David Osborne which touches on conflict of laws issues:

> *Explores the circumstances in which the mortgagee of a ship could be liable to a charterer or cargo interest when it enforces its mortgage, thereby preventing performance of a charterparty or contract of affreightment by the owner, in light of the Commercial Court's consideration of the issue on an obiter basis in Anton Durbeck GmbH v Den Norske Bank ASA. Assesses the often conflicting case law on the question and the re-shaping of the law regarding economic torts.*

Several book reviews are also in the LMCLQ this month:

- R. Cox, L. Merrett & M. Smoth, *Private International Law of Insurance and Reinsurance* (LLP, 2007), reviewed by Johanna Hjalmarsson
- J. Fawcett, J. Harris & M. Bridge, *International Sale of Goods in the Conflict of Laws* (OUP, 2005), reviewed by Christopher Hare

- L. Collins et al, *Dicey Morris & Collins on the Conflict of Laws* (Sweet & Maxwell, 14th edn, 2006), reviewed by Andrew Scott

The LMCLQ is available to subscribers.

Conflict of Laws Issues Associated with an Action for Interference with Privacy

Dan Jerker B Svantesson (Bond University) has written a short article on "Conflict of Laws Issues Associated with an Action for Interference with Privacy" in the current issue of *Computer Law and Security Report* (C.L.S.R. 2007, 23(6), 523-528). The abstract reads:

> *Examines Australian conflict of laws issues associated with actions for interference with privacy. Considers developments indicating a movement towards the recognition of such actions in Australia. Discusses the potential impact of actions for interference on internet conduct and the application to such actions of Australian rules of jurisdiction and choice of law, including the three key concepts relating to: (1) where the cause of action is committed; (2) where the damage is suffered; and (3) what is the "place of wrong". Notes the issue of forum non conveniens.*

Available to CLSR subscribers (*via Westlaw*.)

Inter-Country Adoptions from India

Ranjit and Anil Malhotra have written a piece on "**Inter-Country Adoptions from India**" in the new issue of the *Commonwealth Law Bulletin* (C.L.B. 2007, 33(2), 191-207). Here's the abstract:

This article discusses the inter-country adoption procedure, coupled with the relevant legislation to be complied with by foreigners seeking to adopt children from India. At the outset, it is important to emphasise that at present there exists no general law on adoption of children governing non-Hindus and foreigners. Adoption is permitted by statute among Hindus, and by custom among some other communities. Quoting extensively from case law and legal provisions, this article examines the procedure to be followed in inter-country adoption from India and the role of the Central Adoption Resource Agency (CARA), the principal monitoring agency of the Indian Government handling all affairs connected with national and inter-country adoptions. In the section dealing with problems faced in Inter-Country adoption, the authors point out that: "At present non-Hindus and foreign nationals can only be guardians of children under the Guardian and Wards Act 1890. They cannot adopt children." In conclusion, the authors call for an overhaul of the existing adoption law in India, not least, in the light of the growing demand for a general law of adoption enabling any person, irrespective of his religion, race or caste, to adopt a child.

Electronic access is available to subscribers.

ECJ Judgment on Articles 11 (2)

and 9 (1) (b) Brussels I Regulation

Today, the ECJ delivered its judgment in case C-463/06 (*FBTO Schadeverzekeringen N.V. v. Jack Odenbreit*).

The German Federal Supreme Court (*Bundesgerichtshof*) had referred the following question to the ECJ for a preliminary ruling:

> *Is the reference in Article 11(2) of Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters to Article 9(1)(b) of that regulation to be understood as meaning that the injured party may bring an action directly against the insurer in the courts for the place in a Member State where the injured party is domiciled, provided that such a direct action is permitted and the insurer is domiciled in a Member State?*

The Court held as follows:

> ***The reference in Article 11(2) of Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters to Article 9(1)(b) of that regulation is to be interpreted as meaning that the injured party may bring an action directly against the insurer before the courts for the place in a Member State where that injured party is domiciled, provided that such a direct action is permitted and the insurer is domiciled in a Member State.***

See for the full judgment the website of the ECJ and for the background of the case our previous posts which can be found here and here.